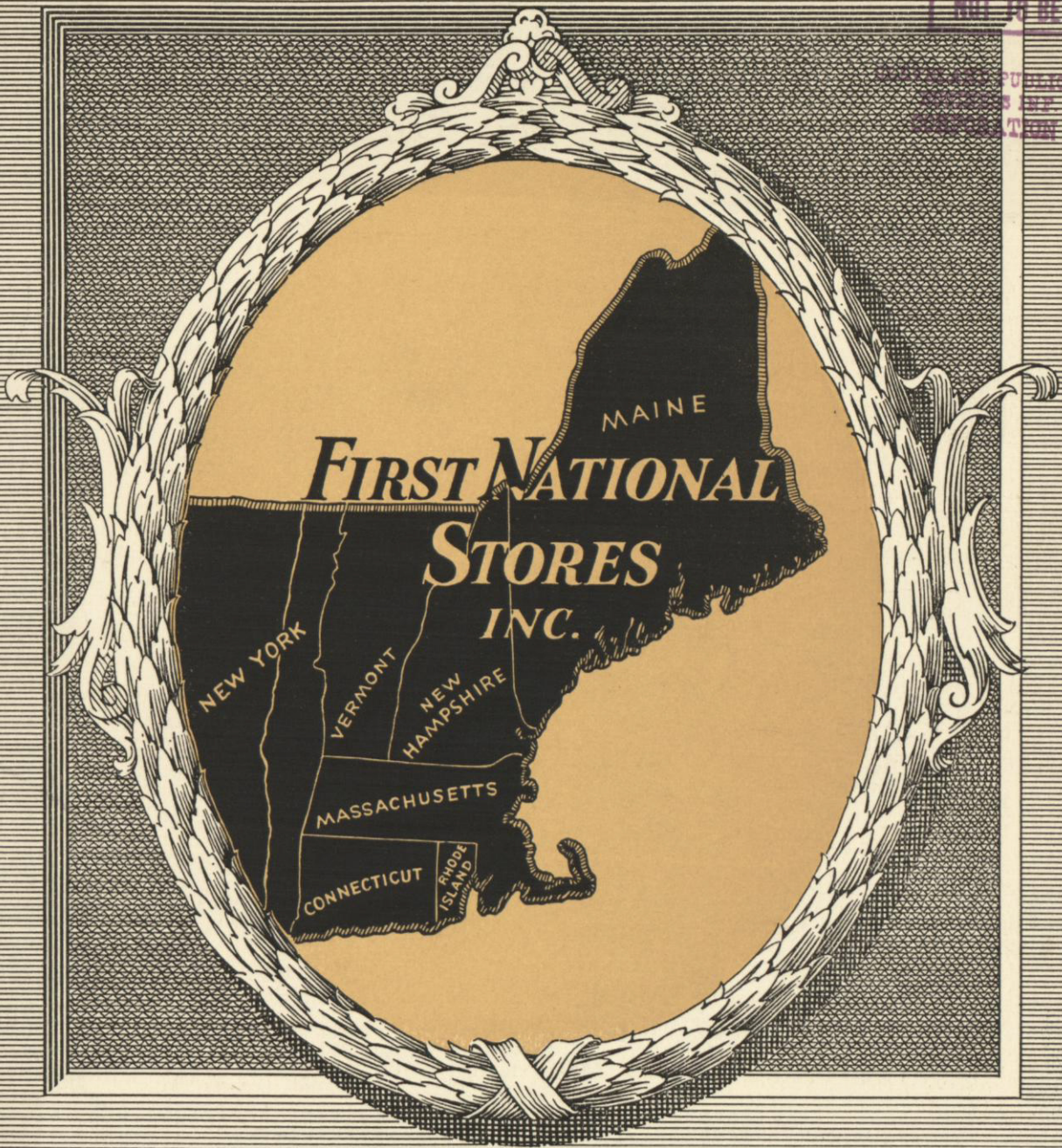


STATISTICAL LIBRARY

JUN -6 1932

NOT TO BE TAKEN AWAY

STATISTICAL LIBRARY
UNIVERSITY OF TORONTO
128 EASTERN AVENUE
TORONTO, CANADA



Annual Report
FIRST NATIONAL STORES INC.
year ending

April 2nd 1932

BOARDS
9662.7214
FD10:

FIRST NATIONAL STORES INC.

Officers

CHARLES H. FARNSWORTH, *President*

AUGUSTUS F. GOODWIN, *Chairman*

CHARLES F. ADAMS, *Treasurer*

JAMES C. DUANE	<i>Vice-President</i>
MARTIN CURRY	<i>Vice-President</i>
BERNARD F. MCGOLDRICK	<i>Vice-President</i>
MORRIS JOSELOFF	<i>Vice-President</i>
RALPH F. BURKARD	<i>Assistant Treasurer</i>
ARTHUR O'KEEFFE	<i>Clerk</i>



Directors

CHARLES F. ADAMS	ROBERT F. IRWIN
CHARLES H. BURGER	MORRIS JOSELOFF
RALPH F. BURKARD	SAMUEL JOSELOFF
MARTIN CURRY	BERNARD F. MCGOLDRICK
ARTHUR E. DORR	JOHN L. MCHENRY
JAMES C. DUANE	CHARLES E. MERRILL
CHARLES H. FARNSWORTH	ARTHUR O'KEEFFE
AUGUSTUS F. GOODWIN	ROLAND C. POWERS
NATHANIEL E. WHITTEMORE	

June 3, 1932.

TO THE STOCKHOLDERS OF
FIRST NATIONAL STORES INC.:

It is a source of considerable satisfaction to your Directors and Operating Personnel to be enabled to state that continued progress and prosperity have been achieved in the affairs of your Company for the fiscal year ending April 2, 1932; and it is their belief that this report, especially in view of the declining level of general business and dropping commodity prices, will be considered by the Stockholders as most satisfactory.

The important results of operations and the financial position of your Company for the year ending April 2, 1932 compared with the previous year are summarized as follows:

	For the Fiscal Year Ending	
	April 2, 1932	March 28, 1931
Retail Store Sales	\$107,634,383	\$108,196,686
Net Profits after Taxes, Depreciation and all Charges and available for Dividends.....	\$4,825,611	\$4,479,108
Per Share Common Earnings after Preferred Dividends; on shares outstanding at end of year....	\$5.52	\$5.03
	As of	
	April 2, 1932	March 28, 1931
Net Working Capital or Net Quick Assets.....	\$9,518,229	\$9,007,611
Fixed or Property Assets.....	\$12,238,608	\$11,486,885
Surplus	\$9,411,328	\$7,207,210
Stores and Markets Operating.....	2,546	2,548

To enable stockholders to have a clearer understanding of the upward trend of the prosperity of your Company, six key exhibits for the past six years have been translated into graphic charts on the following page.

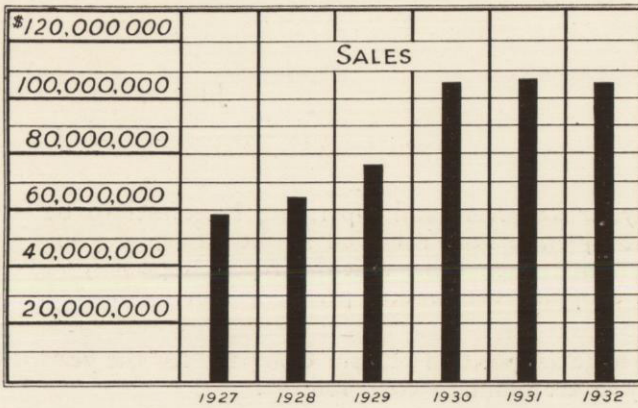
During the past year, commodity prices continued to decline, and the Family Food Budget in the estimate compiled by the Bureau of Labor Statistics indicates that present prices are 35% lower than those prevailing in September 1929; and present prices, based upon the Massachusetts Food Index Number, indicate that in the past year there has been a drop of 16% in dollar value.

In view of a decrease of but 2.40% in average weekly dollar sales compared to a decrease of 16% in retail prices for the past year, retail sales have been well maintained. Our figures indicate that volume, measured by tonnage, increased approximately 13½% for the year, which would mean that a gain exceeding that amount has been made in the number of your Company's customers, for the ebb tide of business has resulted in a smaller consumption of food per capita.

Irrespective of merchandise owned, it has been and is the policy of your Officials to immediately reduce retail prices when commodity prices at the source have dropped, thus increasing the prestige of your Company with the consuming public of New England. Also the inventories at the closing of the fiscal year, on April 2nd, were taken at the market value or cost (whichever was lower) and this policy has resulted in considerable losses, all of which were absorbed in the year's operations.

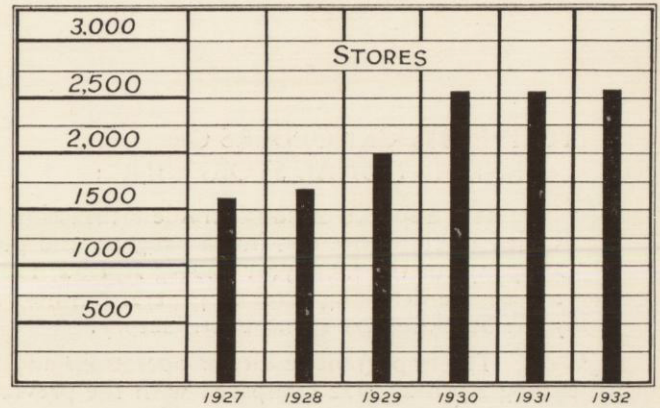
Your Officials, realizing that prosperity in the retail field of merchandising is dependent upon the good will of the purchasing public, ever seek to maintain or improve the quality of food products and service; and by increasing volume and efficiency of operations to lower, where possible, the range of customary low prices.

The Food Industry is an essential one, for it is estimated that 38% of the cost of living is spent in the purchase of food. It is the largest single business in the world, and it would seem that chain grocery stores scientifically operating in the collection and distribution of food, when ably directed, would continue to secure a stronger position in our industrial life. Of the total number of food stores in the country, those operated by chains are estimated to be about 10% and do about 28½% of the total food business.



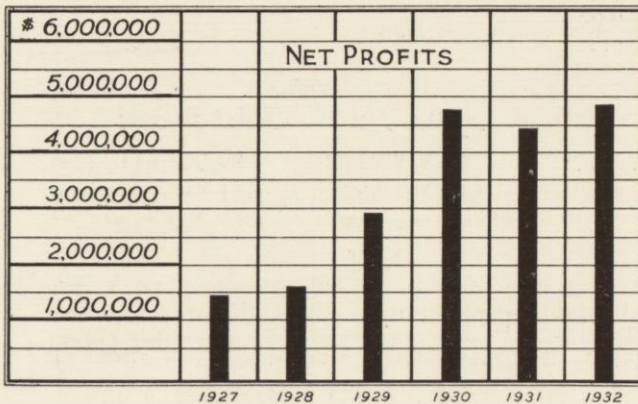
Retail Store Sales Fiscal Years

1927	\$59,038,304	1930	\$107,635,216
1928	64,445,962	1931	108,196,686
1929	75,884,639	1932	107,634,383



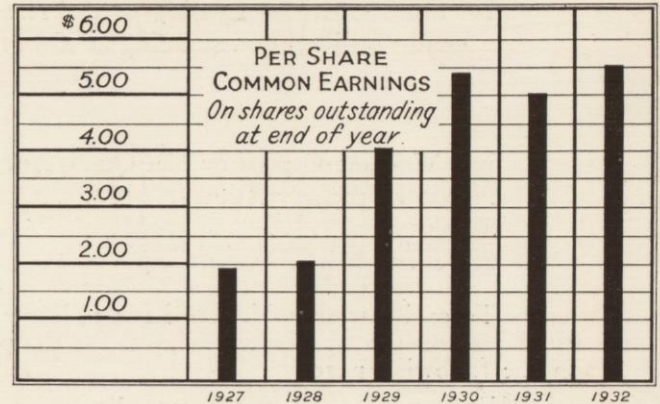
Stores Fiscal Years

1927	1681	1930	2549
1928	1717	1931	2548
1929	2002	1932	2546



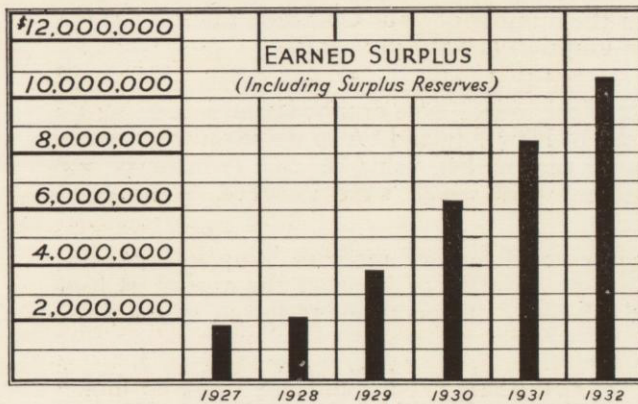
Net Profits Fiscal Years

1927	\$1,492,193	1930	\$4,773,446
1928	1,593,358	1931	4,479,108
1929	2,904,884	1932	4,825,611



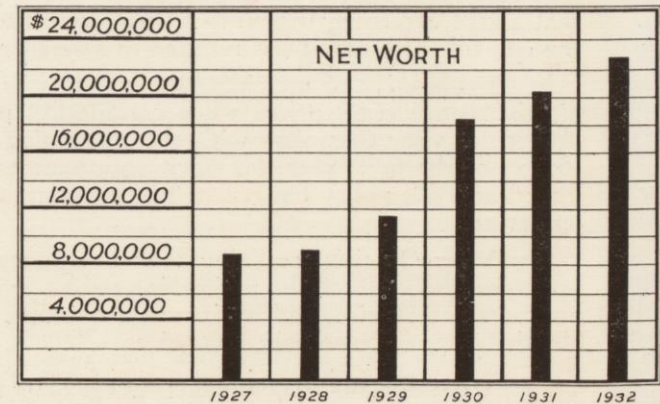
Per Share Common Fiscal Years

1927	\$1.92	1930	\$5.39
1928	2.09	1931	5.03
1929	4.07	1932	5.52



Surplus (Including Surplus Reserves)
Fiscal Years

1927	\$1,996,375	1930	\$6,369,726
1928	2,238,303	1931	8,371,910
1929	3,987,782	1932	10,816,321



Net Worth Fiscal Years

1927	\$8,723,782	1930	\$18,347,148
1928	8,965,710	1931	20,349,333
1929	11,724,410	1932	22,793,743

Stores and Markets

Your Company had in operation on	April 2, 1932	March 28, 1931
Grocery Stores	2,205	2,267
Markets or Combination Grocery and Meat Stores.....	341	281
Total Grocery Stores and Markets.....	<u>2,546</u>	<u>2,548</u>

The number of stores and markets in this comparative exhibit, does not reflect the true condition of store activities, for existing grocery stores are often combined in a larger store, and a new grocery and meat market may absorb smaller grocery stores.

DEPRECIATION CHARGES — MAINTENANCE

Your Directors have deducted from operating profits the sum of \$906,383.55 to cover depreciation on all buildings, equipment, machinery, fixtures, trucks, automobiles, and all other tangible assets which are subject to physical depreciation, and this charge-off is conservatively adequate in their opinion. All physical properties are maintained at a high state of efficiency and condition. Advertising expenditures have been maintained at the usual appropriations.

BONDS RETIRED AND STOCK PURCHASED BY YOUR COMPANY

During the year, we purchased in the open market \$555,000 of our First Mortgage Bonds and retired \$572,000, thus reducing the bonded indebtedness from \$1,500,000 to \$928,000. It would seem desirable and conservative to eventually and in a reasonable time retire all bonds, which will result in a saving of \$75,000 per year.

Also during the year, the Company purchased 2,355 shares of its 7% preferred stock and your Directors may retire it or offer it to employees at its cost.

There were purchased 4,000 of your Company's common shares, thus making a total of 15,835 common shares owned.

DIVIDENDS AND FINANCIAL CONDITION

During the year, regular dividends of \$1.75 quarterly, or \$7 per annum, were paid on the Company's Preferred Stock; and also quarterly dividends of 62½¢, or \$2.50 for the year, were paid on the Company's Common Stock outstanding.

It is the belief of your Directors that Stockholders will appreciate the financial strength and your Company's earning ability when net profits available for dividends amounted to \$96.50 per 7% Preferred share, and Common dividends paid were less than half the available Net Profits. By maintaining a conservative common dividend policy, undistributed profits increased working capital and surplus, provided funds for plant investments to improve operating efficiency and to open additional stores and markets.

The balance sheet submitted herewith shows that the financial condition of the Company is constantly improving, and at the present time it is strongest in its history, with ample working capital for present operations and such normal expansion as may seem desirable.

Working capital, as represented by the difference between current assets and current liabilities as of April 2, 1932 compared with March 28, 1931 increased \$510,618 to \$9,518,229, with a ratio of quick assets of 3.23 to 1 compared with 3.03 to 1. Total assets increased \$1,713,807 to \$27,997,763; Surplus Account increased \$2,204,118 to \$9,411,328. Your Company owes no money to banks and was not a borrower during the year.

Increasing profits are the results of a well defined and not hurried plan of developing existing territory and expansion into communities not served by your Company, and the ability to secure greater operating efficiency.

TAXATION

The burden of taxation on general industry continues on an ever-ascending scale. Throughout the Country, the volume of business transactions has declined but the burden of taxation has continued to grow because of the increasing expenditures of Federal, State, and Local Governments. At the present time, governing bodies are seeking additional sources of taxation revenue to meet their larger appropriations, rather than balance their budgets by drastic reductions in expenditures. Expenditures for essential purposes should be curtailed, and for non-essential purposes, eliminated.

Your Company pays Direct Taxes of approximately \$400 per store per year. Direct and Indirect Taxes together paid are estimated to amount to over \$2,000 per store per year (the second largest item of expense) approximately $2\frac{1}{2}$ times rentals paid, and being exceeded only by the cost of labor.

Owners of securities and property have a vital interest in this situation and we believe should communicate their ideas to their elected Representative in Federal, State and Local Governments, and assure them of their support in any efforts to reduce expenditures and taxes.

PERSONNEL

Of your Board of Directors, four serve in an advisory capacity and the others are active working executives brought up in the business and giving their life work to it. It is a pleasure to publicly express appreciation to all executives and employees, whose experience, loyalty and ability have assisted in bringing the operations of your Company to a higher standard than it has heretofore enjoyed. Your organization is now better equipped than ever to meet and overcome the trying problems of the times.

THE ANNUAL MEETING OF STOCKHOLDERS — PROXIES

Accompanying this report is a Notice of the Annual Meeting of Stockholders. Common Stockholders will receive a proxy made out to a Committee and this Committee will appreciate an early receipt of executed proxies to facilitate checking and listing.

CHARLES H. FARNSWORTH, President
For the Directors,
FIRST NATIONAL STORES INC.

STORES AND BASES OF YOUR COMPANY

Stores and Markets

The grocery stores of your Company are well maintained — remodeling and other improvements are made whenever desirable. The modern and large combination markets with grocery, meat, fish, fruit and vegetable departments are all new and are practically and attractively equipped, and are invariably located at prominent trade centers.

Your Company's Bases

SOMERVILLE,
MASSACHUSETTS.

PROVIDENCE,
RHODE ISLAND.

EAST HARTFORD,
CONNECTICUT.

BRIDGEPORT,
CONNECTICUT.

Properly situated, well planned and economically operated warehouses play an important part in the present day distribution of foods through chain stores and have a distinct bearing upon net earnings.

Fully appreciative of this fact your officials, together with expert engineers, have devoted much time and thought to the efficient development and operation of your company's bases.

In your company's compact chain, operating in the six New England States and eastern New York State, there are four bases within convenient distance of retail outlets, each with a railroad siding and each serving a concentrated area wherein quick and economical motor truck transportation to stores is used.

Somerville Base

The principal base is at Somerville, Massachusetts, situated at the corner of Mystic and Middlesex Avenues, on land adjacent to the break-up yards of the Boston & Maine Railroad and it contains:

General and Executive Offices
Grocery Warehouse
Meat Warehouse
Produce Warehouse
Manufacturing Department for
Grocery Products

Manufacturing Department for
Meat Products
Beverage Manufacturing Plant
Bread Bakery
Cake Bakery
Laundry

Printing Plant
Reclamation or Salvage Shed
Garage and Truck Repair Shop
Gasoline Station
Cafeteria
Laboratory

This base serves 1600 of your company's stores, a larger and more densely located group than is served by any other warehouse in the industry. Here all of your company's manufacturing and packaging activities for the entire chain are concentrated.

Building operations on this plant started in 1926 — the first units including the Grocery Warehouse and Grocery Manufacturing Department, and the Bread Bakery and Power Plant were finished and occupied in the Fall of 1927. Early in 1930 the Meat, Fish, Vegetable and Laundry units were added together with additional manufacturing space. Later in the same year the Cake Bakery was installed.

Nearing completion are building operations providing additional space for warehousing and shipping of Produce to take care of increasing volume. Necessary addition to the heating and refrigerating facilities are also being installed.

As it will be presently constituted this base will contain 778,758 square feet of floor space, or nearly 18 acres. Forty-five (45) freight cars may be unloaded and 143 motor trucks may be loaded simultaneously.

In all departments scientific planning has provided the use of the most modern equipment and established the most economical handling methods.

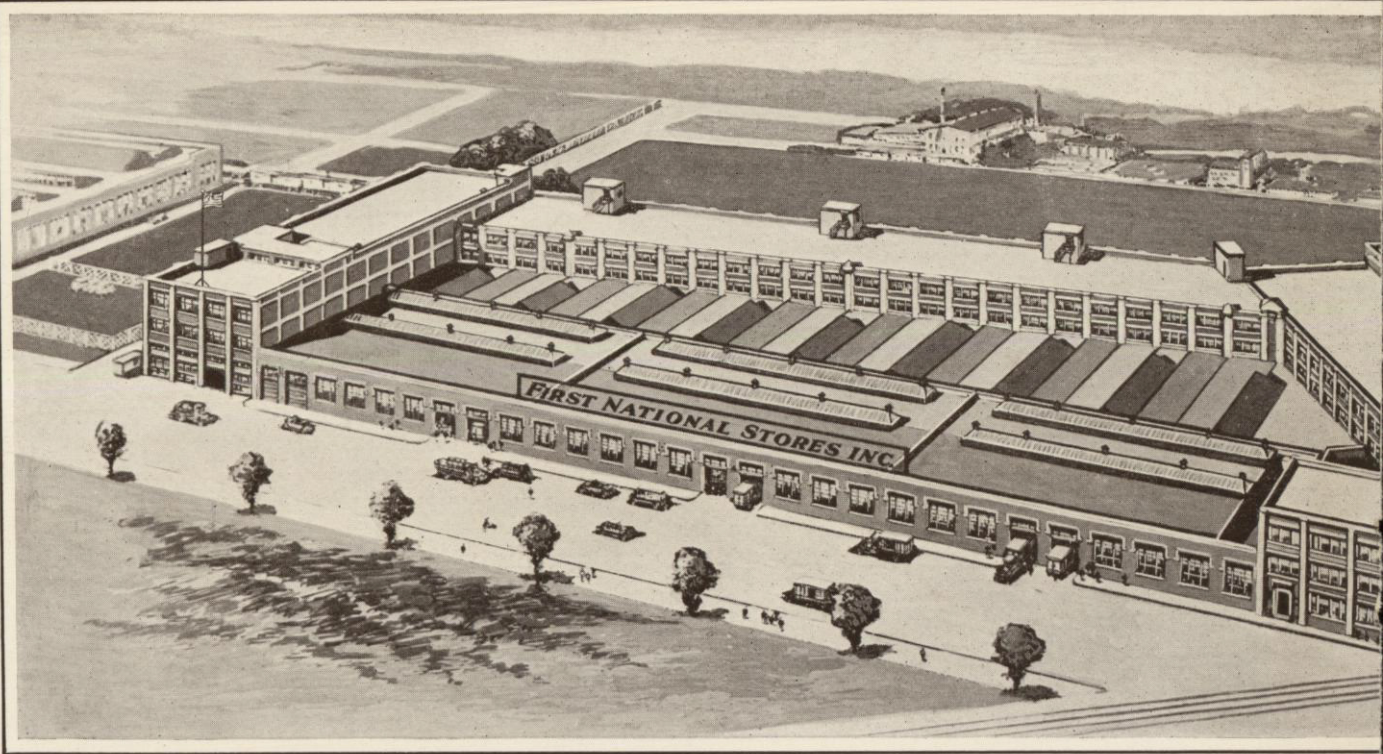
With the development in our industry tending more and more toward the operation of the combination Meat, Fish, Grocery and Produce market type of store, your Company with its highly efficient and modern Meat and Produce Plant is in a position for fostering that development. Your Company's methods insure low cost of distribution from producer to consumer.

During the past year the capacity of the meat processing department has been increased. We are now equipped to cure Hams, Bacon and Shoulders, and to manufacture Sausage and Frankfurters, and our production on these items is increasing, profitable, and meets consumer favor.

Your Company's Other Bases

Smaller, yet similar and efficiently operated bases are situated at East Hartford, Connecticut; Bridgeport, Connecticut; and Providence, Rhode Island.

At East Hartford the group includes a Grocery Warehouse, Produce Warehouse, Bread Bakery and Cake Bakery. The Cake Bakery was opened for operation early this year and the bread baking facilities have been doubled — at Bridgeport, Connecticut, a Grocery and Produce Warehouse — and at Providence, Rhode Island, a Grocery and Produce Warehouse and a Bread Bakery.



THE SOMERVILLE, MASS., BASE OF
 On approximately eighteen acres of floor space are housed War
 Fresh Meats, Fresh Fish and Fresh Fruit and Vegetables, also
 Print Shop, Garage, Cafeteria, Salvage

The Principal Base of *THE FIRST NATIONAL*

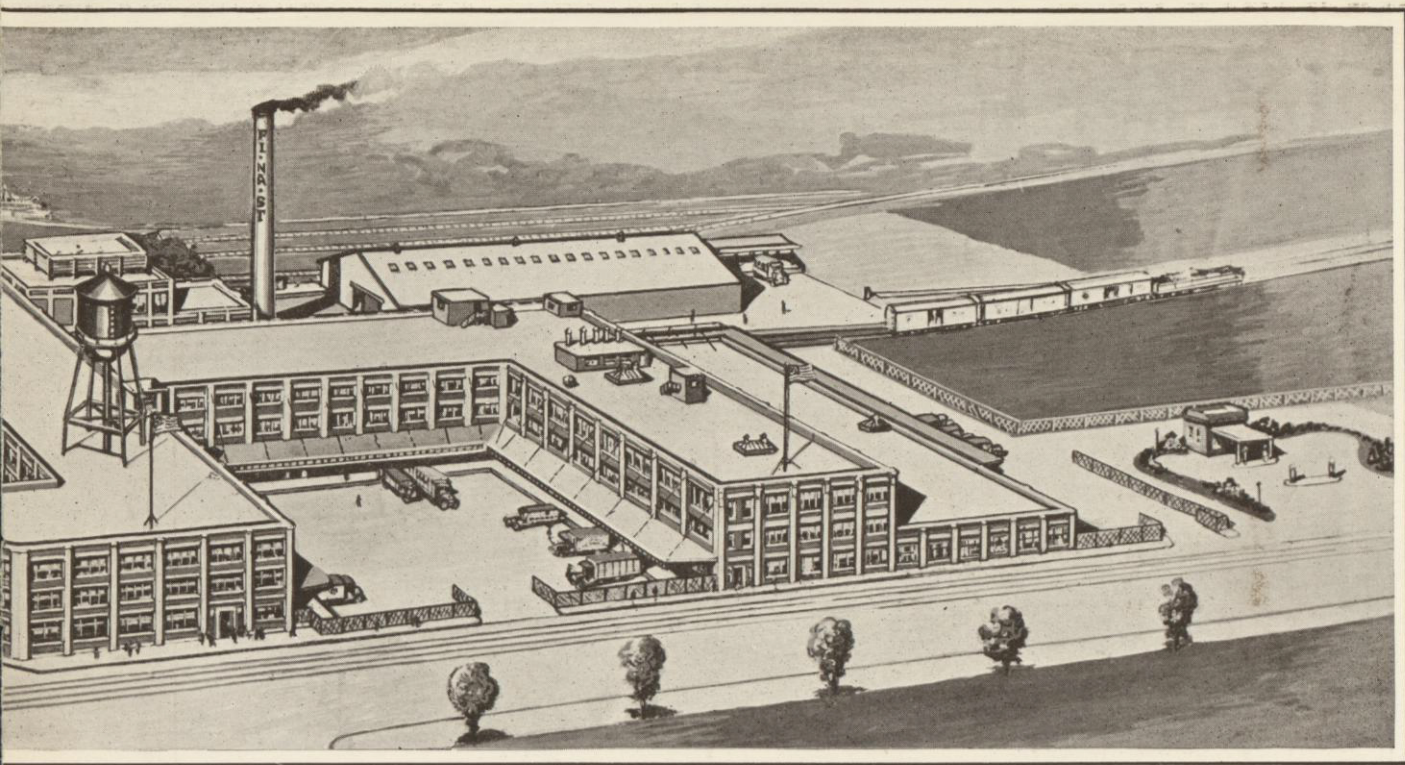


Interior View of Grocery and
 Vegetable Store



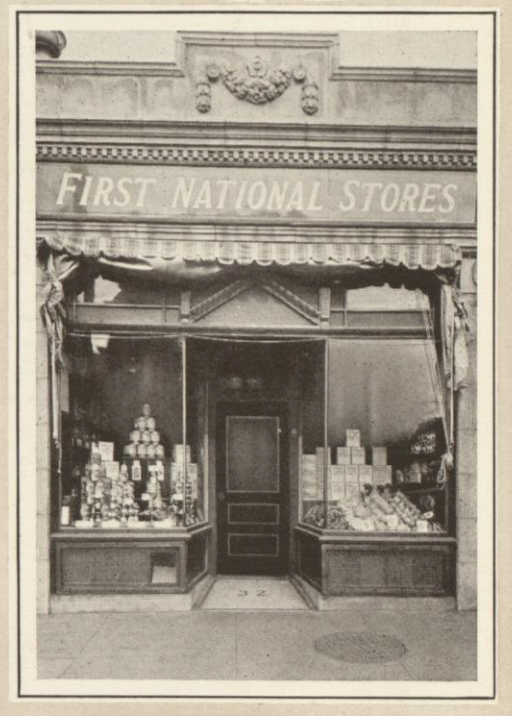
Interior View of
 combination Grocery,
 Meat, Fish and
 Vegetable Market





THE FIRST NATIONAL STORES INC.
 Warehouse and Receiving and Shipping Departments for Groceries,
 Bread and Cake Bakeries, Manufacturing Department, Laundry,
 Department and Administrative Offices.

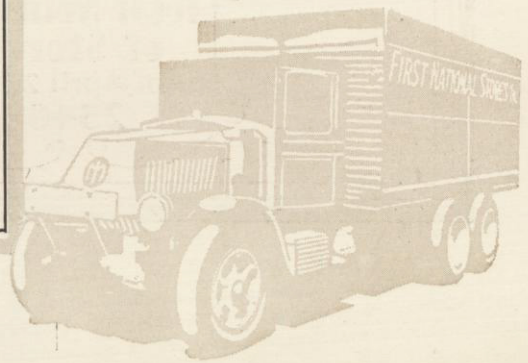
and Typical Stores of FIRST NATIONAL STORES INC.



Exterior View of Grocery and
 Vegetable Store

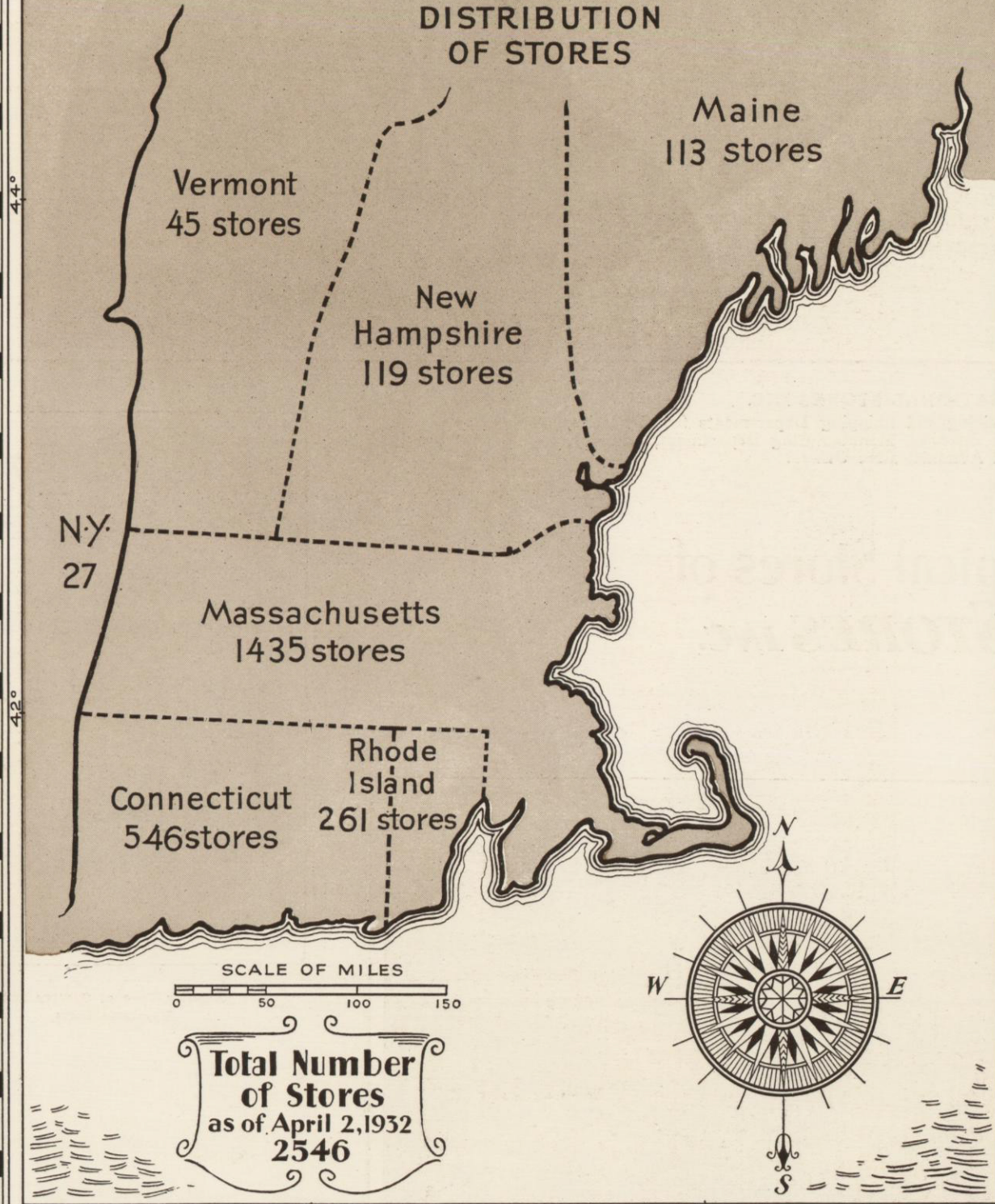


Exterior View of
 combination Grocery,
 Meat, Fish and
 Vegetable Market



FIRST NATIONAL STORES INC.

GEOGRAPHICAL DISTRIBUTION OF STORES





Representative private brand products of the manufacturing departments of FIRST NATIONAL STORES Inc.

FIRST NATIONAL STORES INC.

Comparative Balance Sheets — April 2, 1932 and March 28, 1931

	ASSETS		Increase
CURRENT ASSETS:	<i>April 2, 1932</i>	<i>March 28, 1931</i>	*Decrease
Cash in banks and on hand (after deducting dividends paid April 1st)	\$2,630,055.72	\$2,445,292.28	\$184,763.44
U. S. Government securities	2,147,511.73	1,024,656.25	1,122,855.48
Accounts receivable, less reserve	489,884.95	352,857.59	137,027.36
Inventories of merchandise, materials and supplies on hand and in transit, at cost or market, whichever lower	8,526,796.64	9,619,428.92	*1,092,632.28
Total current assets	\$13,794,249.04	\$13,442,235.04	\$352,014.00
INVESTMENTS, ETC.:			
First National Stores Inc.:			
Common stock at book value—15,835 shares at April 2, 1932 (\$714,554 at market quotations)	\$792,637.08	\$617,949.58	\$174,687.50
First preferred stock at cost — 2,369 shares at April 2, 1932 (\$255,852 at market quotations)	254,521.02	1,375.37	253,145.65
First mortgage 5% sinking fund gold bonds — at cost	3,000.00	20,045.00	*17,045.00
Pipestone Produce Company — wholly owned creamery subsidiary — at cost	167,333.04	167,333.04
The R. E. Cobb Company — majority owned creamery subsidiary — at cost less reserve . .	83,601.22	83,601.22
Deposits in closed banks, less reserve	63,912.16	63,912.16
Miscellaneous securities and advances	158,630.10	114,895.96	43,734.14
Total investments, etc.	\$1,523,634.62	\$921,598.95	\$602,035.67
DEFERRED CHARGES:			
Prepaid insurance and expenses	\$415,692.16	\$389,824.43	\$25,867.73
Unamortized bond discount and expense	25,578.56	43,411.89	*17,833.33
Total deferred charges	\$441,270.72	\$433,236.32	\$8,034.40
FIXED ASSETS:			
Land and buildings owned	\$5,827,455.37	\$5,744,155.26	\$83,300.11
Less — Reserve for depreciation	531,347.21	387,890.75	143,456.46
	\$5,296,108.16	\$5,356,264.51	\$*60,156.35
Building improvements, fixtures, machinery and equipment	\$9,576,036.67	\$8,274,562.88	\$1,301,473.79
Automobiles	556,398.16	535,043.84	21,354.32
	\$10,132,434.83	\$8,809,606.72	\$1,322,828.11
Less — Reserve for depreciation	3,189,935.14	2,678,986.07	510,949.07
	\$6,942,499.69	\$6,130,620.65	\$811,879.04
Total fixed assets	\$12,238,607.85	\$11,486,885.16	\$751,722.69
GOOD WILL	\$1.00	\$1.00
	\$27,997,763.23	\$26,283,956.47	\$1,713,806.76

FIRST NATIONAL STORES INC.

Comparative Balance Sheets — April 2, 1932 and March 28, 1931

LIABILITIES

	April 2, 1932	March 28, 1931	Increase *Decrease
CURRENT LIABILITIES:			
Acceptances payable under letters of credit	\$152,953.28	\$215,027.53	*\$62,074.25
Accounts payable	2,508,870.80	2,836,918.76	*328,047.96
Employees' investment certificates	862,805.00	767,145.00	95,660.00
Provision for federal taxes	751,391.07	615,532.67	135,858.40
Total current liabilities	\$4,276,020.15	\$4,434,623.96	*\$158,603.81

The company was contingently liable with respect to employees' bank loans amounting to \$356,000 at April 2, 1932, amply secured by First National Stores Inc. shares at market quotations.

FUNDED DEBT:

First mortgage 5% sinking fund gold bonds due 1952, less purchased and retired	\$928,000.00	\$1,500,000.00	*\$572,000.00
--	--------------	----------------	---------------

RESERVES:

For contingencies, less appropriated as a reserve against deposits in closed banks, \$55,000	\$384,600.58	\$439,600.58	*\$55,000.00
For sinking fund preferred stocks	929,570.00	687,570.00	242,000.00
Miscellaneous	90,822.93	37,530.19	53,292.74
Total reserves	\$1,404,993.51	\$1,164,700.77	\$240,292.74

CAPITAL STOCK:

7% first preferred:			
Authorized and issued or held for exchange for 8% preferred — 50,000 shares, par value \$100 each	\$5,000,000.00	\$5,000,000.00
Common:			
Authorized—1,000,000 shares without par value			
Issued — 827,634 shares	6,977,422.07	6,977,422.07
Total capital stock	\$11,977,422.07	\$11,977,422.07

EARNED SURPLUS	\$9,411,327.50	\$7,207,209.67	\$2,204,117.83
	<u>\$27,997,763.23</u>	<u>\$26,283,956.47</u>	<u>\$1,713,806.76</u>

TO THE STOCKHOLDERS OF FIRST NATIONAL STORES INC.:

We have made an examination of the accounts of the First National Stores Inc. for the fiscal years ending April 2, 1932 and March 28, 1931 and, in our opinion, the above comparative balance sheets and accompanying statement of earnings and surplus account have been correctly prepared therefrom and set forth the financial position of the Company at April 2, 1932 and March 28, 1931 and the results of operations for the fiscal year ending April 2, 1932.

Boston, Massachusetts
May 17, 1932

PRICE, WATERHOUSE & CO.

FIRST NATIONAL STORES INC.

STATEMENT OF EARNINGS — FISCAL YEAR ENDING APRIL 2, 1932

Sales		\$107,634,382.65
<i>Less:</i>		
Cost of sales, expenses, interest and other charges (net)		101,059,366.38
		\$6,575,016.27
<i>Deduct:</i>		
Depreciation on fixed assets		906,383.55
		\$5,668,632.72
<i>Deduct:</i>		
Loss on disposition of capital assets		89,755.12
		\$5,578,877.60
<i>Deduct:</i>		
Provision for federal taxes		753,266.29
		\$4,825,611.31
Net profit for the fiscal year ending April 2, 1932 (53 weeks)		

SURPLUS ACCOUNT FOR THE FISCAL YEAR ENDING APRIL 2, 1932

Earned surplus at March 28, 1931		\$7,207,209.67
Net profit for the fiscal year ending April 2, 1932		\$4,825,611.31
<i>Less:</i>		
Dividends paid:		
Preferred stock	\$343,779.10	
Common stock	2,035,714.38	2,379,493.48
		\$2,446,117.83
Balance after dividends		
Provision for sinking fund 7% first preferred stock		242,000.00
		2,204,117.83
Balance added to surplus		
Earned surplus at April 2, 1932		\$9,411,327.50

THE STATE OF TEXAS

COUNTY OF DALLAS

Know all men by these presents, that I, the undersigned, for and in behalf of the State of Texas, do hereby certify that the following is a true and correct copy of the original of the same as the same appears from the records of the said State of Texas, to-wit:

...

SUBJECT: ...

...

